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Statement of Senator Chuck Grassley
Hearing, “Can the Middle Class Make Ends Meet?
Economic Issues for America’s Working Families”
Thursday, May 10, 2007

One of the many challenges presented by today’s hearing is the difficulty of defining the middle class. While visions of married couples with children often come to mind, such families have never comprised a majority of U.S. households. According to the Census Bureau, married couples with children account for 24 percent of all households. That’s down from 35 percent in 1974. Most households are comprised of single parents, childless couples or empty nesters, and unrelated individuals. Thus, analyzing the state of America’s middle class often involves an apples-to-oranges comparison of ever-changing households.

Aside from the problem of identifying the middle class, there is the problem of measuring their well-being. The typical approach of sorting them into groups based on income without regard to any other factors is highly misleading. Median household income varies by a factor of nearly two-to-one (\$62,000 in New Jersey vs. \$33,000 in Mississippi). But, if the citizens of New Jersey are so much better off than everyone else, why doesn’t everyone move there? The answer of course is that income alone doesn’t tell you everything there is to know.

Much of the variation in household income is related to regional differences in the cost-of-living. There are also differences based on quality-of-life factors such as crime rates, traffic congestion, access to arts and culture, health care and education, and even the weather. When choosing between income and amenities, many people believe a better lifestyle is worth more than a bigger paycheck. Despite the difficulties of defining the middle class and measuring their well-being, many people contend the typical American family is struggling to make ends meet. To the extent this might be true, the question is, what can Congress do about it?

Given the fact that the government is already heavily involved in the three areas most often identified as problematic – housing, health care, and education – additional efforts to expand the role of government in these areas should be viewed with caution.

Moreover, an examination of the historical record suggests the ability to tax and spend our way to greater prosperity and income equality is extremely limited. According to the Census Bureau, the direct net effect of current government tax and income transfer policies is to shift roughly eight percent of total income from the top 40 percent of households to the bottom 60 percent of households. This figure has remained virtually unchanged for the past 27 years.

By most measures, the vast majority of Americans have a higher standard-of-living today than ever before. History shows this success was not the result of government efforts to redistribute income. If our goal is to help future generations achieve the American dream, we must not let good intentions cloud our judgment and cause more harm than good.